



SOCIAL SECURITY

The Commissioner

February 7, 2013

The Honorable Barbara Mikulski
Chairwoman, Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Madam Chairwoman:

Thank you for the opportunity to discuss the effects of sequestration on the Social Security Administration (SSA). It is important to understand that sequestration would further exacerbate the negative effects of over two straight years of funding levels nearly a billion dollars below the President's Budget requests. These funding levels have led to significant increases in our 800-number answer time and derailed progress we were making at eliminating our hearing backlog. As Congress considers the impact of sequestration and our future funding levels, it is important to remember that none of our work is discretionary; we must complete all benefit applications we receive. The longer it takes us to get to our incoming work, the more expensive it is to complete, and the greater the burden on the public. Moreover, if we do not have enough resources to keep our records accurate, it causes improper payments.

What has helped us endure lean budget years is our reengineered business processes and online suite of services without which our backlogs and wait times would be significantly worse. However, the core of our work is—and will likely always be—people based. Even with productivity increases over the last five years, if we do not have enough staff to keep up or if furloughs prevent them from working, the public can expect to wait longer in our offices, on the phone, and for disability decisions at all levels.

If sequestration occurs, we estimate that visitors to our field offices could wait almost 30 minutes to see a representative, and callers to our 800-number would wait almost 10 minutes for us to answer. The pending levels of initial disability claims would rise by over 140,000 claims, and on average, applicants will have to wait about two weeks longer for a decision on an initial disability claim and nearly a month longer for a disability hearing decision.

At this stage of our planning, sequestration would result in the loss (i.e. attrition without replacement) of over 5,000 more employees in FY 2013, the termination of over 1,500 temporary employees and reemployed annuitants, and the elimination of overtime except for life, safety, and health concerns. We would be forced to reduce cost-effective program integrity work (continuing disability reviews (CDRs) and Supplemental Security Income (SSI) redeterminations). Please note that every dollar spent on medical CDRs will yield an estimated \$9 in program savings over 10 years, and every dollar spent on SSI redeterminations will yield an estimated \$6 in program savings over 10 years.

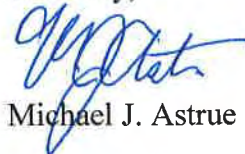
We would operate with minimum non-personnel spending, only funding the most-essential costs such as mandatory contracts and rent on our buildings. As a result, we might reduce contractor support. Sequestration would significantly reduce our Information Technology (IT) funding. We would use our limited funds primarily to sustain our IT infrastructure. We would not have sufficient funds to invest in the type of automation that makes us substantially more efficient each year.

We would try to prioritize our reductions to avoid furloughs that would further harm services and program integrity efforts; however, the possibility of furloughs remains uncertain at this time. The value of a furlough day is about \$25 million. With each furlough day, we would not be able to complete roughly 20,000 retirement claims, over 10,000 disability claims, and 3,000 hearings. It would increase the backlog of initial disability claims and erode the significant progress we have made in the hearings backlog. The wait for service in our field offices and on our 800-number network would further increase.

Sequestration would affect State and local economies as well because we must cut the administrative funding we provide State disability determination services to make disability determinations for us. In addition, growing backlogs would delay claimants' first checks, which delays money going into State and local economies.

I hope this information is helpful. If you have any questions, please contact me or have your staff contact Bonnie Kind, our Associate Commissioner for Budget, at (410) 965-3501.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael J. Astrue", is written over the printed name.

Michael J. Astrue